

# Accessing Integration

## **Problems and Solutions to Adapting IPA in Albania, Bosnia and Herzegovina, Montenegro and Macedonia**

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## **Why IPA is Crucial for the European Integration of West Balkan Countries**

The countries of the West Balkans which were part of this assessment study, namely Albania, Bosnia and Herzegovina, Montenegro and Macedonia, are part of the Stabilisation and Association Process (SAP). All of them have concluded a Stabilisation and Association Agreement (SAA) with the EU. Macedonia is the only candidate country for EU accession, while the other three countries are potential candidates. In 2009, Albania, Montenegro and Serbia submitted their applications for full membership into the EU.

At present, Albania, Bosnia and Herzegovina, Montenegro and Macedonia are receiving financial support from the EU via the Instrument of Pre-Accession Assistance (IPA). The IPA program is designed to assist accession candidates in adjusting their systems to meet the standards and policies of the EU. The financing strategy consists of five components: Component I, Transitional Assistance and Institutional Building; Component II, Cross Border Cooperation; Component III, Regional Development; Component IV, Human Resources Development and Component V, Rural Development. The first two components aim at funding capacity/institutional building and cross-border cooperation between candidates and potential candidates, as well as between candidates and EU member states. The latter three components are designed to help acceding countries prepare for the implementation of EU cohesion and agriculture policies. The IPA was enforced in 2007 to replace CARDS, the EU's former instrument for funding the West Balkan countries.

IPA, a single legislative framework applied to all the countries of the West Balkans regardless of candidacy status, aims towards the final common goal: successful EU integration. To some extent, IPA rules allow some flexibility in the funding strategy in order to address the concrete needs, absorption capacities, management capacities of each candidate, as well as accommodate any potential changes (i.e. the transition in status of a beneficiary country from potential candidate to candidate and finally to member state). The programming and implementation of activities is supposed to be more efficient and flexible under IPA than under its preceding instruments.

Financial assistance under the IPA plays a key role in the development of the administrative capacities of these countries. By strengthening the administrative capacities of WB countries, IPA will enable them to take over the funds, the program management and ultimately the overall integration process. To this end, there are currently plans to implement the gradual transfer or decentralization of competencies and IPA management from the EU institutions to the national authorities of the WB countries. This would be an indispensable transitional element to ease the remaining steps to integration, which mainly focus on the concrete economic and social transformation of WB countries. The decentralization of management would not only make pre-accession assistance more effective, but it would also train these countries in handling the crucial responsibilities they would take on as members, namely the effective management of large EU cohesion and structural funds. Thus, the IPA regulatory framework should provide detailed regulations in the responsibility of each actor involved in the management of funds and establishment of new structures in candidate countries. Among other things, the IPA has been designed to help strengthen ties between neighbouring countries, including EU Member States, via cross-border cooperation projects.

Although all WB countries working towards EU accession share a common goal, the IPA regulates that the potential candidate countries (Albania, Serbia, Bosnia Herzegovina and Montenegro) are eligible to benefit only from Components I and II of the scheme, while candidates like Croatia, Turkey and Macedonia may benefit from all five components. Thus IPA beneficiaries are typically divided into two groups: candidates in the process of accession; and potential candidates under the Stabilisation and Association Process. Candidate countries are therefore prepared for the full implementation of the EU *acquis* at the time of accession, while potential candidate countries are let to progressively align their legislation to the EU *acquis*, particularly focusing on developing their administrative capacities. From all the countries participating in this survey, only Macedonia is eligible for all five IPA components.

The disbursement of IPA funds has recently begun and IPA projects are currently being implemented in WB countries. So far, it has been a general rule that the key roles in IPA program management for WB countries are fulfilled jointly by the central governments and the EU delegations to these countries. It has been observed that the participation of local authorities and Civil Society Organisations (CSOs) in the process of designing IPA priorities and drafting the national or local strategic documents has been limited. All WB candidate countries have encountered some common difficulties in dealing with IPA rules.

This report aims to bring to the attention of EU institutions and national governments that, although the IPA functions on a standardized scheme, its practical application has not been entirely seamless. The report also provides some indications as to what extent the national and local authorities of candidate countries are prepared to use IPA programs and to take over the responsibilities of managing these funds without direct assistance from the EU. After all, IPA funding is intended for the development of the beneficiaries' local capacities in order to help them fulfil the criteria for obtaining an EU membership. Therefore, both EU and national authorities must bear their distinct responsibilities in the full absorption of IPA funds in the context of achieving the above-mentioned objective.

This report derives from extensive interviews conducted with central, local government officials and civil society leaders in Albania, Bosnia-Herzegovina, Macedonia and Montenegro. The feedback gathered from these stakeholders has enabled the EMA to draw up conclusions and offer policy recommendations to the European Commission and national governments of the respective countries under observation.

### **Institutional Arrangements**

The implementation and programming of IPA Components I and II is centralised. The overall management of IPA programs falls under the responsibility of EU Delegations and central government structures dealing with EU integration affairs. In Albania, the main institutions responsible for the IPA are the Ministry of European Integration, the integration units in the line ministries and the appointed Senior Program Officers (SPOs). In Macedonia, the Secretariat for European Affairs is in charge of the overall IPA programming, while across the entire government structure, there are approximately 400 people charged with related responsibilities. In Montenegro, the responsible bodies are the Ministry of European Integration, the Governmental Commission for European Integration and the Senior

Program Officers appointed in the line ministries. In Bosnia and Herzegovina, the Directorate for European Integration is the national IPA coordinator, while some line institutions assign their own Senior Program Officers. The general role of these central structures is to horizontally coordinate IPA programs.

The EU Delegations are responsible for the tendering, contracting, financing and monitoring the implementation of EU-funded programs. This applies to IPA Component I, while Component II addresses programs enforced in the transitional approach. With regards to the remaining 3 components, there should be decentralised structures in place prior to implementing the financial assistance schemes.

The effective decentralization of IPA management (i.e. the transfer of control from the EU delegations to the candidate countries' national authorities) requires the establishment of new structures. These structures, namely the Central Financial and Contracting Units (CFCU) and the National Funds, are of particular importance to IPA Components III-V. The CFCUs and the NFs have already been established in WB countries. However, in most cases, the CFCUs are under-staffed and the competencies of EU Delegations do not get transferred to these units completely until their accreditations are finalised by the national authorities and the European Commission.

Joint technical secretariats and monitoring committees are established to take over the implementation of IPA Components I and II. IPA rules and procedures do not make any explicit reference to the actors that might be involved in the IPA management structures, thus opening up the decision to the central government. Rules under IPA Component II are clearer because they provide references to socioeconomic partners and other stakeholders in the scheme. Nevertheless, the participation and involvement of the CSOs under this IPA component remains rather low. Even when they are consulted, as in the case of Macedonia, CSOs and other economic operators tend to lack the capacity to provide any meaningful input to the IPA programming process. CSOs are not given enough time to reach internal agreements on the issues raised. The time provided for the CSOs varies from a minimum of three days, while sometimes holidays get counted as working days, up to a maximum of one week, as is the case in Macedonia.

Local authorities are among the main beneficiaries of IPA Component II. However, they have not yet established any basic structures within their own institutions for the development and implementation of IPA projects. Experts that draft applications, manage and report on the projects are assigned on an ad hoc basis, while they are simultaneously juggling other assignments from their own directorates or units.

EU Delegations do not always have enough staff to effectively deal with IPA projects. In Albania, for example, there is only one manager assigned to IPA CBC (Component II) programs and projects. The lack of the administrative capacity on both sides remains one of the main obstacles to the effective application of the IPA scheme.

## **General Knowledge about IPA at Both the Central and Local Level**

Generally speaking, there is a low level of knowledge<sup>1</sup> about IPA and the ways in which WB countries can benefit from such a financial instrument. IPA rules and procedures are complex and at times difficult to interpret or apply. The insufficiency of information affects parties in both the central and local government circles, as well as among CSOs. The questionnaires addressed in this report have revealed that many of the experts interviewed find it difficult to answer questions related to the IPA scheme due to a lack of general knowledge. In Montenegro, the interviewees had trouble answering questions related to the participation of CSOs and the local community in IPA projects. They were not able to provide information on the budget allocated under the IPA, nor draw up some details about IPA project activities or human resources. They could not exhaustively address the obstacles barring Montenegro from fully benefitting from IPA programs and nor were they able to suggest how to tackle those obstacles.

In all countries, the responsibility to provide information about the IPA is shared between the central governments and the EU Delegations. The dissemination of information is limited to organizing Info Days and distributing small brochures or leaflets containing general information about the scheme. Info Days are events, usually organised by central governmental institutions, that last no longer than two hours at a time. The presentation is often done by civil servants who use technical language, which is hard for some participants to understand. After the event, no feedback is drawn from participants, who are typically civil servants from the line Ministries, local authorities, CSOs and representatives of public institutions. The civil servants' interest in such events is furthermore jeopardised by the lack of continuity in their involvement after an event or training session. More people should be trained in order to ensure that a consistent pool of experts is always available to assist the parties interested in generating new projects.

Explanatory and guiding manuals are not widely used. Montenegro has only just begun drafting IPA manuals, while in other countries (excepting Macedonia) they do not even exist yet. These manuals address the procedures of all IPA components and maintain a special focus on the Decentralised Implementation System (DIS).

Macedonia has developed a new tool, which has not been very successful in practice. The Secretariat of European Affairs set up an on line IPA Forum in 2008 in order to answer all the queries that potential beneficiaries might have had about the use of IPA funds. One of the questions posted in the forum was by a businessman running a small company. It inquired about the IPA funds allocated to projects supporting SMEs. The reply read: "IPA training is currently ongoing, concerning your specific questions please contact your municipality." This was neither correct nor helpful.

The local authorities and the CSOs require special attention. Better media coverage of the events related to IPA programs and projects will also have a positive impact on the process of disseminating relevant information, as this is a way to publicize the scheme to as many interested beneficiaries as possible. Brochures are not enough to address all the technical issues stemming from IPA rules and procedures. Handbooks and manuals are useful

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<sup>1</sup> See annex for graphs outlining the data gathered via the questionnaire.

instruments that will guide the various actors in IPA projects. Hands-on support should also be available for project applicants.

The main IPA rules and procedures are supplied to WB countries in the English language. Unfortunately, neither the governments nor any other involved institutions are able to finance the translation of these documents into their own language. This issue raises concerns for the hands-on implementers of IPA procedures since most of them might not have experience in working with English. Countries or regions that share a common language may find it manageable to pool funds for the drafting and translation of manuals.

### **Designing IPA Priorities**

IPA regulations determine the process of allocating EU funds for both candidate and potential candidate countries. The basic documents for allocating financial support to the country and to the specific fields of intervention are the Multi-Annual Financial Framework (MIFF) and the Multi-Annual Indicative Planning Document (MIPD), which are annually revised. The Framework Agreement signed between the EU and the respective country sets the rules that will be applied to the implementation of assistance and forms the legal basis of cooperation between the two parties. The Operational Programs are the main documents of the CBC programs, which incorporate SWOT analysis, the main priorities, the strategy to address the challenges and priorities, the indicators of achievement and the modalities and structures for the programs' implementation.

Apart from the above-mentioned documents, the WB countries have drafted their own strategic documents which set the priorities related to the EU integration process. A wide range of strategic documents is in place, although in most cases they contradict each other and their strategic visions are not complete. For example, as reported in the survey of Macedonia, the National Development Plan 2008-2010 of the Republic of Macedonia is a document of poor quality that lacks a strategic outlook. It reads rather like a wish list of actions (not projects) that are not grounded in any existing policies. Such a contradiction has affected the cohesion between the priorities determined by the IPA scheme and the real priorities of the country or selected region.

One of the reasons behind this lack of cohesion is the failure of state institutions to consult the relevant stakeholders in the process of drafting these strategic documents. Formal consultations at the governmental level are often done when the priorities have already been determined. Institutional cooperation between the different state actors and non-state actors is not a common practice. Frequently, priorities are determined in a closed circle, while a broader consultation with the local governments and CSOs is missing. In Macedonia, for example, the local authorities are included in three CBC joint committees, yet they lack any voting rights. Consulting with them is the first step but neither rural nor regional development can succeed without the full involvement and support of the municipalities.

Albania poses another concrete example of the lagging consultation between institutions. In one small city of Albania, located near the Greek border, the mayor has complained that some of the priorities of the Operational Program between the two countries relate strictly to Greece and do not address the needs of his own town. While Greece has proposed some

projects in tourism, as per the call for proposals, Albania has been more concerned with basic infrastructure. Such strategic divergences undermine the chances of successful cooperation between project partners and, therefore, it is important for strategic documents to consider the differing levels of development between neighbouring areas.

It is essential for WB countries to develop their strategic thinking further and translate it into concrete project proposals. The EU should monitor this process and put more pressure on WB governments to publish their strategies as promptly as possible and submit them along with consultation agendas or timetables outlining the dates when specific issues will be addressed. The consultation process should go hand-in-hand with the capacity building programs organized by the different actors involved in the project. In other words, the overall process of translating priorities into IPA projects should be an inclusive enterprise.

Determining the priorities of integration for each candidate country should begin with a trilateral consultation between EU structures, governmental structures (central and local) and the CSOs.

Another reason behind the lack of viable IPA planning is the insufficient administrative capacity of the staff managing the IPA consultation process. The capacity of many national institutions is not yet strong enough to enable them to adopt a strategic approach for identifying their organization building and investment priorities, or to prepare well-designed and clearly articulated projects to help them meet these needs. This is a particularly pertinent problem when a project extends responsibilities to more than one institution or sector. Because national institutions tend to show a relatively low capacity in IPA project management, EU Delegations will often carry a very responsible role in the programming process. Consequently, the Delegations support those national priorities in the projects that are based on their vision of the respective country's national needs.

### **The Implementation Phase**

As the implementation of IPA projects began as recently as 2009, a full assessment of their effects can be completed only at a later stage. However, the findings outlined in this report should shed some light on the problems typically faced in the initial phases of project implementation. In many public institutions, the first problem civil servants face is related to the drafting of the projects' terms of reference. EU Delegations have responded to the issue by contracting external consultants, who have only limited knowledge, and charging them with the distribution of funds. This is particularly true of 10% of horizontal IPA funds, which, according to the financial perspective for 2007-2013, should be used to cultivate gender equality, good governance, minority rights and battle corruption, address environmental issues and so forth. Because many candidate countries lack the knowledge about the EU policies on these issues, it is easy for EU Delegations to ask for external consultants instead of using the existing local capacity.

The survey of Macedonia suggests that a possible alternative could be a grant scheme, consisting of 10% of IPA funds, to support the CSOs in dealing with these particular issues. This will not only provide much-needed support for the CSOs, but it will also develop their



capacities in dealing with EU policies in these fields, while simultaneously securing a stronger link to the national priorities.

IPA rules are the same regardless of the size or budget allocated to a project. The CSOs, which typically focus on small projects, and the local authorities consider the complex procedures a heavy burden. Thus the current IPA rules place smaller organizations at a disadvantage to larger ones.

### **Co-financing Obligation**

A common practical problem that all the surveyed countries have encountered is the co-financing obligation. The first misunderstanding on the subject arises from the source of funds. According to the current rules, beneficiary institutions are supposed to fulfil the obligation using their own, public money. Central government partners are able to abide by these rules because they can withdraw from the state budget, although, as a result of the financial crisis, they are also beginning to get affected by budget restrictions. The most serious problems, however, remain with the local governments and the CSOs. Experience shows that municipalities with small budgets have difficulty securing the 10%-20% of the co-financing rate. Co-financing is a particularly straining for the CSOs, considering that the current governmental strategies of cooperation with them do not include any kind of institutional or financial support. Other donors are not willing to offer any matching funds. Bilateral assistance for securing the co-financing of CSOs is excluded as an option. This is one of the reasons why CSOs have displayed relatively weak involvement in pertinent socioeconomic and political issues.

Another problem pertaining to financing derives from the varying schedules of fund disbursements for IPA CBC projects. In practical terms, this means that for each project that involves two or more partners, the activity time frame varies for each actor as a result of the different disbursement methods. Further problems arise when one of the partners is an EU Member State. Compared to WB countries, in EU Member States fund disbursement takes a shorter period of time (owing to stronger administrative capacities, among other factors). Thus, activities shared between partners do not get carried out simultaneously, consequently impeding the project implementation process. This means that the EU, along with the concerned WB countries, must apply a more integrated approach to project implementation, which in turn requires firm and continuous support from the EU and its member states.

### **Monitoring and Impact Assessment**

The administrative structures involved in the monitoring of EU programs have obtained some knowledge and experience from past EU projects conducted under CARDS. A consistent problem that all countries encounter is the CSOs' limited capacity to monitor the outcomes of EU-funded projects. Problems in monitoring will have an impact on the efficiency and transparency of IPA projects implemented by the national authorities. By effectively monitoring project implementation, the CSOs will acquire the crucial information and strong, independent voice that they need to properly address the needs of their

respective countries. As stressed from the beginning, currently the CSOs are hardly participating in any segment of the IPA project cycle. However, in Macedonia, there are some attempts by the government to include the CSOs in the monitoring committees of IPA projects. These attempts remain sporadic, limited to a small network of CSOs and often are not transparent. Independent monitoring of the IPA project cycle by CSOs has not yet occurred. This stems from two major factors: 1) the complexity and technicality of IPA projects, and 2) a lack of experience with IPA procedures.

Since, as of yet, no IPA projects have been completed in any of the surveyed countries, no evaluation or impact assessment can be undertaken at present. Furthermore, the degree of possible involvement of CSOs in project implementation cannot be measured at this stage. However, as long as the CSOs are not participating at the earlier stages of the IPA project cycle, it is hard to believe that they will become part of the evaluation and impact assessment process later.

### **Recommendations**

As often quoted in the summary of the survey's main findings, EU institutions and the national authorities of WB countries should play a more active and concrete role in the process in order to maximize the countries' benefits from IPA funding.

Based on the recommendations and conclusions drawn by the national experts, the following tasks remain to be fulfilled by the national authorities and EU institutions. Certainly the balance of responsibility shifts rather towards the national authorities, because it is in their own interest to benefit from the IPA schemes. However, some tasks inevitably require joint cooperation.

#### **EU institutions should:**

1. **Provide more funds to support training programs and publications.** The role of the EU delegations should be strengthened with regards to disseminating information on the IPA in general, funds, modalities and the IPA project cycle in particular. Trainings must not be limited to a small group of people. They should include different actors involved in IPA projects, such as local governments, local institutions and CSOs. Their training should be focused on the different stages of Project Cycle Management, as compared to the IPA modalities and complying with the PRAG rules. **Handbooks and practical manuals** explaining IPA procedures in the national languages of WB countries need to be produced.
2. **Increase the number of staff working with IPA projects in the EU Delegations.** A timely and professional response to the queries of project applicants is important so as to avoid confusion and miscommunication about IPA procedures. Currently, the number of staff charged with the contracting, tendering, financing and monitoring of IPA-funded projects is insufficient. As long as the transitional management approach stays in place, the timely implementation of projects will require an increase in human resources.

3. **Revise the co-financing rules.** A lower co-financing threshold for small local authorities and CSOs should be introduced in the IPA rules. Other financial institutions, like World Bank, UNDP, USAID, private funds, etc, outside the EU should also have the opportunity to contribute financially. The source of co-financing should be reconsidered if it should require that its beneficiaries become self-sufficient in the long-term.
4. **Allocate the 10% funds on horizontal issues for projects carried out by CSOs.** CSO inclusion in these funds is crucial to increasing their capacities on horizontal issues (gender equality, good governance, corruption, minority issues and the environment) that they often deal with.
5. **Further elaborate the partnership principle.** The partnership principle should be further elaborated upon in the EU documents in order for CSOs to become a part of the consultation process of the IPA project cycle. CSOs and local governments should develop their cooperation strategies, which should afterwards become an eligibility criterion for their joint projects. Capacity building should become a measurable cross-cutting issue, setting the inclusion of national partner organisations in all terms of reference as a pre-condition.
6. **Reshape the procedures set to applicants in accordance with the funds allocated for a given call or project.** Rules and procedures should be set according to the size of the given project. Experience has shown that the “one size fits all” approach is not the most effective one.
7. Institutionalise a **trialogue** between EU institutions, national (central and local) authorities and CSOs. The participation of the CSOs should not be left up to the government but should rather be made explicit in the main legal documents. Joint structures should be enforced in order to establish the priorities of IPA programs and projects.

#### **The National Authorities Should:**

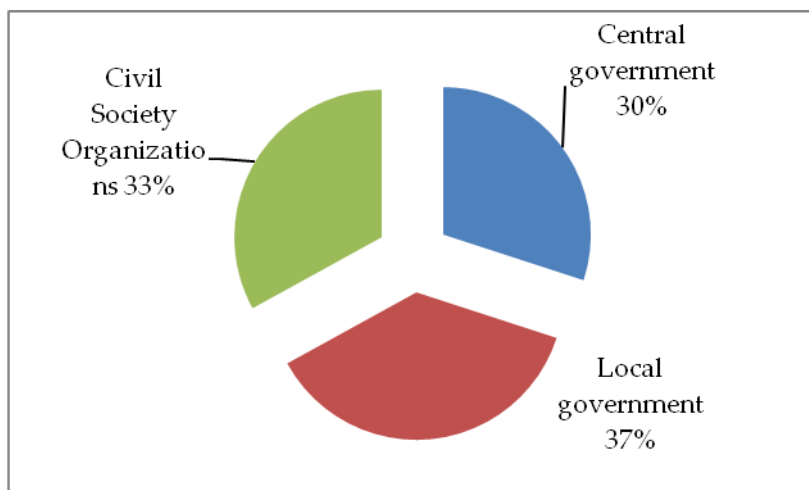
1. **Frequently assess** the needs of the central and local authorities dealing with IPA projects.
2. Increase the availability of information and awareness-raising **activities**.
3. Set up **regular training mechanisms** and organise **specific trainings**, shaped according to the needs of central and local authorities. The English language should be a priority.
4. Ensure the **continuous training and hands-on support** for the project applicants before and during the launching of the call for proposals. It must also be considered that a potential increase in funds allocated through these programs is to be expected in the short-term.
5. Reduce or avoid **frequent staff turnover**. There should be an increase in the number of people working on EU affairs, especially EU-funded programs, in order to effectively accommodate the insurgent responsibilities.

6. **Involve** the local authorities and CSOs in the drafting of priorities to be supported by the IPA.
7. Provide key documents and explanatory materials in the respective **national languages**.
8. **Frequent cooperation** via seminars and workshop must be supported between the homologue structure of WB countries and/or between these structures and the representatives of EU institutions. Ensure the accurate and timely internal flow of information.
9. **Increase transparency** by informing the general public of the impact of completed EU-funded programs and projects.
10. Ensure the **proper dissemination** of relevant information through all possible communication and information channels.
11. Develop the role and capacity of the **media** in the process.

## Annex – Graphs of the Key Findings from the Survey

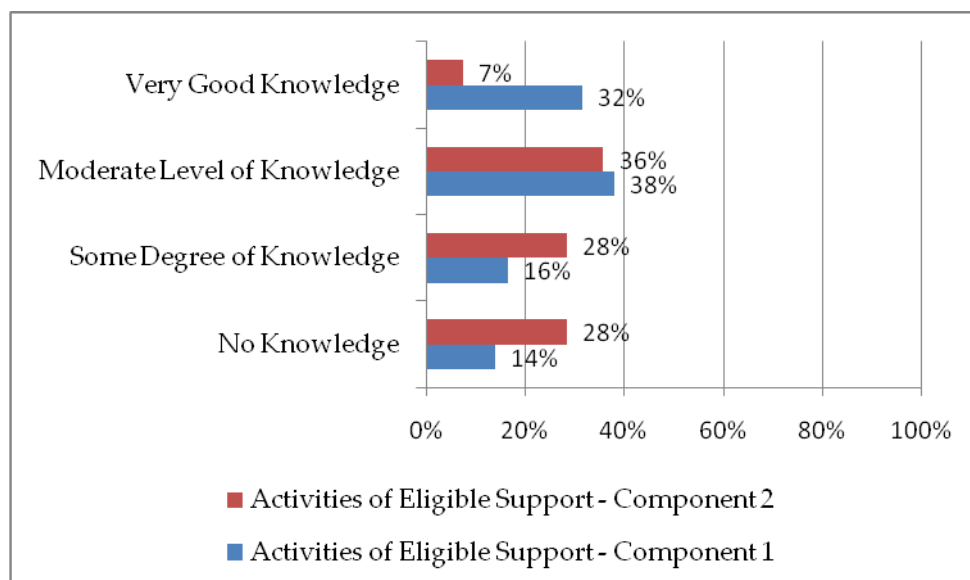
The graphs below represent the results of 82 questionnaires, completed by different experts from the West Balkan countries which participated in this survey.

### Interviewee Backgrounds

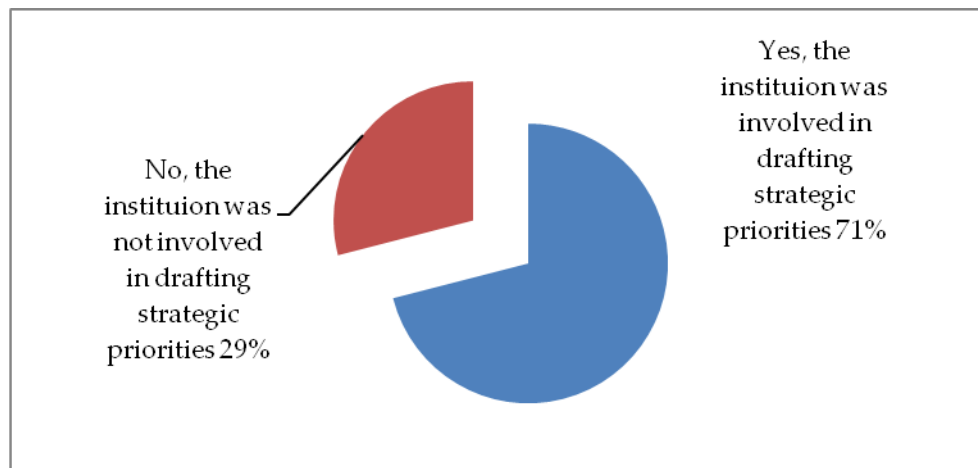


### Level of knowledge of IPA Components I and II

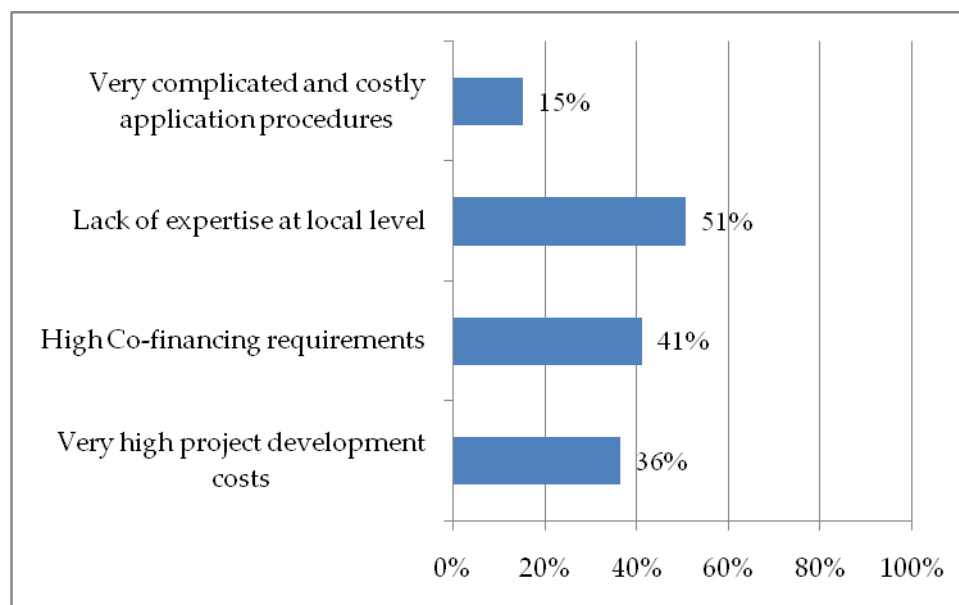
(Self-assessment of the interviewed experts)



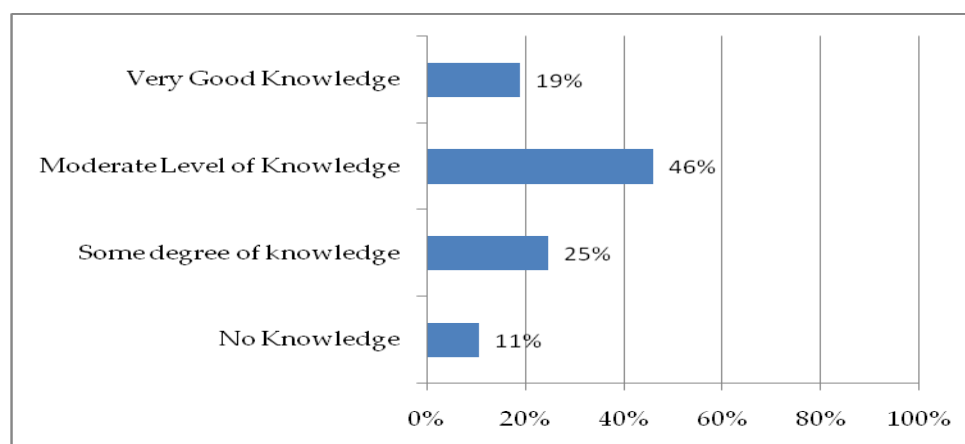
## Involvement of CSOs in Defining the Strategic Priorities



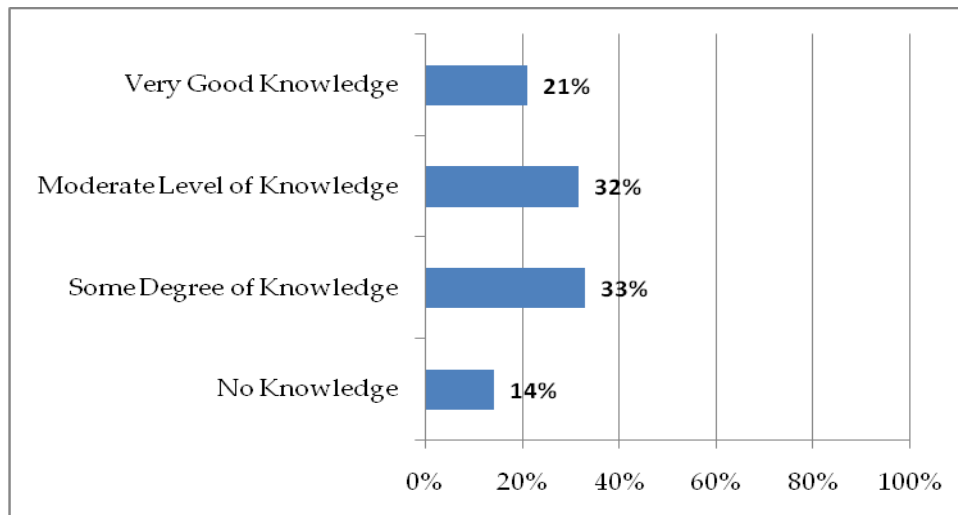
## Reasons for Weak Administrative Capacities



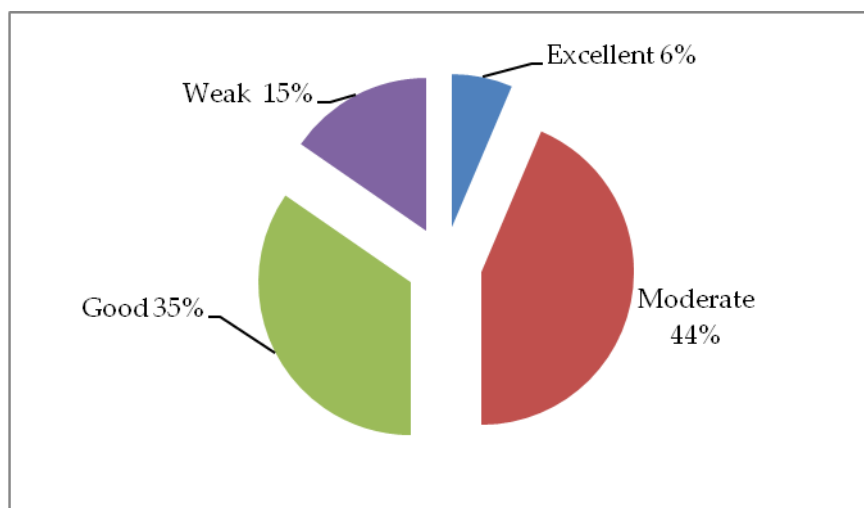
## Level of Knowledge of the IPA Legal Framework



### Level of Knowledge of the IPA National Strategic Documents



### Level of the Institutional Capacities to Monitor IPA Projects



### Effects of the Participation of CSOs in the Monitoring and Evaluation Process

